

## WATER AND SEWER FUND PROJECTION

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>Revenues</b>						
Water & Sewer Sales	\$ 47,798,990	\$ 49,395,895	\$ 55,006,931	\$ 63,038,763	\$ 70,113,338	\$ 71,677,354
Contract Water Sales	10,981	-	-	-	-	-
Other Operating Revenues	1,338,204	1,364,968	1,392,267	1,420,112	1,448,514	1,477,484
Investment/Rental	2,495,310	2,545,216	2,596,121	2,648,043	2,701,004	2,755,024
Licenses and Permits	66,367	67,694	69,048	70,429	71,838	73,275
Intragovernmental	305,000	311,100	317,322	323,668	330,141	336,744
Frontage Fees/Assessments	1,473,131	1,502,594	1,532,646	1,563,299	1,594,565	1,626,456
Capital Facility Fees	4,461,428	4,550,657	4,641,670	4,734,503	4,829,193	4,925,777
Other Revenues	825,000	841,500	858,330	875,497	893,007	910,867
Appropriation from Fund Balance	5,000,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total Revenues</b>	<b>\$ 63,774,411</b>	<b>\$ 63,079,624</b>	<b>\$ 68,914,335</b>	<b>\$ 77,174,314</b>	<b>\$ 84,481,600</b>	<b>\$ 86,282,981</b>
<b>Appropriations</b>						
Personal Services	\$ 16,251,136	\$ 17,063,693	\$ 17,916,878	\$ 18,812,722	\$ 19,753,358	\$ 20,741,026
Operating	19,827,558	20,224,109	20,628,591	21,041,163	21,461,986	21,891,226
Capital Outlay	1,149,771	1,172,766	1,196,221	1,220,145	1,244,548	1,269,439
Transfer to Other Funds	456,598	465,730	475,045	484,546	494,237	504,122
Debt Service	16,042,261	17,306,959	21,840,285	28,724,302	34,591,627	34,875,691
CIP Appropriations	7,000,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Reserve for Debt Coverage	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Reserve for Capital Improvements	1,547,087	1,846,367	1,857,315	2,431,436	1,935,844	2,001,477
Appropriation to Fund Balance	-	-	-	-	-	-
<b>Total Appropriations</b>	<b>\$ 63,774,411</b>	<b>\$ 63,079,624</b>	<b>\$ 68,914,335</b>	<b>\$ 77,174,314</b>	<b>\$ 84,481,600</b>	<b>\$ 86,282,981</b>
<b>Coverage Ratio:</b>						
Parity Debt	4.32	3.39	2.44	2.07	1.71	1.65
All Debt	1.20	1.23	1.18	1.13	1.11	1.11

### Highlights

The projection reflects a reserve for debt coverage that is intended to ensure that the City meets or exceeds the revenue bond rate covenants contained in the water and sewer revenue bonds. Adverse conditions such as water restrictions due to drought, or unseasonably wet years, place the City in jeopardy of not recognizing sufficient revenues to meet these covenants. The coverage ratio that must be maintained for parity debt is 1.25 and for all debt 1.0. Generally, only operating revenues can be utilized for computation of the coverage ratio.

Periodic rate increases averaging 6.1% (from 0.3% to 10%) are included in the projections above. The rate model utilized for the projection includes future rate increases due mainly to two factors: expected future debt service to provide for extensive capital improvements that are included in the model; and the provision for coverage of the bond covenants in the event of adverse revenue realization.

### Revenues

- Water and Sewer Sales include both consumption and service fee charges to all direct water and sewer customers, inside and outside the City. It does not include contractual water sales to other utilities. A rate increase to service charges and the sewer consumption charge is included for FY 2005-06. This rate increase is projected to be 2.46% for the average residential customer that would equate to a \$1.90 increase on the bi-monthly billing.
- Contract Water Sales represents the sale of surplus water to other utilities. The multi-year projection does not assume any future contract water sales.
- Most revenue sources and system utilization are projected to increase by 1.9% annually.

## **Appropriations**

- Personal Services costs increase at a rate of 5% annually.
- Operating costs increase at a rate of 2% annually.
- Capital costs increase at a rate of 2% annually.
- The non-departmental costs generally increase at a rate of 2% annually.
- Debt Service projections for existing debt as provided by the City's Finance Department are further projected with proposed future debt service on general obligation bonds (if approved) and revenue bonds proposed for issue to address the extensive capital projects as mentioned above.

## **Coverage Ratio**

- Coverage ratios represent the amount of net revenues (gross revenues minus operating expenditures) that are available for debt service payments. For parity debt the City is required to have a coverage ratio of 1.25, and for all debt a ratio of 1.0. Coverage ratios are used by financial institutions as a key indicator for the calculation of the City's bond rating.
- As an assurance that the City will meet the coverage ratio if revenues fall, a reserve for debt coverage component is built into rates and if realized, can be utilized to support future debt service costs or CIP.